

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name St. Clair County Mental Health Authority		County St. Clair	
Fiscal Year End September 30, 2006		Opinion Date March 12, 2007		Date Audit Report Submitted to State June 15, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

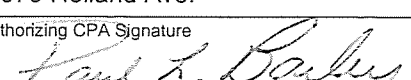
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple			Telephone Number 810-984-3829	
Street Address 1979 Holland Ave.			City Port Huron	State Mi
			Zip 48060	
Authorizing CPA Signature 		Printed Name Paul L. Bailey		License Number 1101014088

**ST. CLAIR COUNTY COMMUNITY
MENTAL HEALTH AUTHORITY
Port Huron, Michigan**

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

FOR THE YEAR ENDED SEPTEMBER 30, 2006



ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

We have audited the basic financial statements of the St. Clair County Community Mental Health Authority as of and for the year ended September 30, 2006. These financial statements are the responsibility of the St. Clair County Community Mental Health Authority's management. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the St. Clair County Community Mental Health Authority taken as a whole. The Schedule of Expenditures of Federal Awards presented on page 5 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations and is not a required part of the basic financial statements. The information in the statement, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

March 12, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

We have audited the financial statements of the St. Clair County Community Mental Health Authority as of and for the year ended September 30, 2006, and have issued our report thereon, dated March 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the St. Clair County Community Mental Health Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Clair County Community Mental Health Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the St. Clair County Community Mental Health Authority in a separate letter dated March 12, 2007.

This report is intended solely for the information and use of management and the Board of Directors of the St. Clair County Community Mental Health Authority, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

March 12, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the St. Clair County Community Mental
Health Authority
Port Huron, Michigan

Compliance

We have audited the compliance of St. Clair County Community Mental Health Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. St. Clair County Community Mental Health Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of St. Clair County Community Mental Health Authority's management. Our responsibility is to express an opinion on St. Clair County Community Mental Health Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Clair County Community Mental Health Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Clair County Community Mental Health Authority's compliance with those requirements.

In our opinion, St. Clair County Community Mental Health Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The administration of St. Clair County Community Mental Health Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered St. Clair County Community Mental Health Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Board of the St. Clair County Community Mental Health Authority, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

March 12, 2007

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Blue Water Area Transportation Commission:			
Public Transportation for Nonurbanized Areas	20.509	N/A	\$ 116,703
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			116,703
U.S. DEPARTMENT OF EDUCATION:			
Passed Through the Local Intermediate School District:			
Infants and Toddlers with Disabilities	84.181		
Early On Program		N/A	131,568
TOTAL U.S. DEPARTMENT OF EDUCATION			131,568
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed Through the Michigan Department of Community Health:			
Substance Abuse and Mental Health Administration Center for Mental Health Services	93.150		
Outreach Homeless Project		20031283	45,000
MIChild	93.767	N/A	26,268
Medical Assistance Program - (Medicaid; Title XIX) Omnibus Budget Reconciliation Act	93.778	N/A	126,627
Block Grants for Community Mental Health Services	93.958		
Juvenile Justice Diversion		20051043	50,000
Respite Service		20051043	5,428
Project Stay		20051043	2,413
Port of Hopes Drop In Center		20051043	9,133
Recovery Training		20051043	23,149
Homeless Peer Support Technician		20051043	12,342
Jail Diversion Expansion		20051043	56,276
Co-occurring Disorders Initiative		20051043	78,871
Anti-Stigma		20051043	55,396
			293,008
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			490,903
Total Expenditures of Federal Awards			\$ 739,174

See Notes to Schedule of Expenditures of Federal Awards

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of St. Clair County Community Mental Health Authority's operating fund and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Financial Statements –	
Total Federal/State Revenues	\$ 68,407,048
Less:	
State Sources	(67,784,577)
Add: Federal portion from Blue Water Area Transportation Commission classified as local sources on financial statements	<u>116,703</u>
Total Expenditures of Federal Awards	<u>\$ 739,174</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

Section I - Summary Of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal controls over financial reporting:
Material weakness(es) identified? _____ yes x no
Reportable condition(s) identified not
considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial
statements noted? _____ yes x no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes x no
Reportable condition(s) identified not
considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Circular A – 133,
Section 510(a)? _____ yes x no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #93.958	Block Grants for Community Mental Health Services

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes _____ no

Section II - Financial Statement Findings:

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs:

There were no Federal Award Findings and Questioned Costs required to be reported by Section 510(a) of OMB Circular A-133.

Schedule IV - Prior Year Findings:

There were no prior year findings.

MANAGEMENT LETTER RELATING TO COMPLIANCE ISSUES

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

We have recently completed our audit of the financial statements and Schedule of Expenditures of Federal Awards (Single Audit under OMB Circular A-133) of the St. Clair County Community Mental Health Authority as of and for the year ended September 30, 2006. In connection with the audits, we believe certain changes in your accounting and administrative procedures would be helpful in further improving management's control over compliance requirements for federal programs. As noted in our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, dated March 12, 2007, this condition described below is not considered a material weakness.

Controls over documentation of the time charged to federal programs.

The federal government through OMB Circular A-87 has stated "where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employer or supervisory official having first hand knowledge of the work performed by the employee."

During our audit of the major programs, we noted that federal program certifications for those employees who worked solely on one federal program were not available. We believe that even though it may be obvious that due to the individual's position that they work 100% on one specific federal program, certifications must be obtained to be in compliance with OMB Circular A-87.

OMB Circular A-87 also states, "where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation..." The Circular further states, "budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards...."

During our audit of the major programs, we also noted several employees who charged less than 100% of their time to a federal program, were charged based on estimates and not the required documentation described in OMB Circular A-87. We recommend the required documentation be obtained and charged according to the guidelines set forth in OMB Circular A-87.

To meet the requirements of OMB Circular A-87, the required documentation is being obtained, effective in 2007.

This condition was considered in determining the nature, timing and extent of the audit tests applied in our OMB Circular A-133 audit for the year ended September 30, 2006. We have not considered internal control over compliance since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and control over compliance, as well as financial reporting.

This report is intended solely for the information of the management and the Board of Directors of the St. Clair County Community Mental Health Authority and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss these items with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

March 12, 2007